GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1289
ANSWERED ON:07.03.2008
PROFIT BY PRIVATE POWER SUPPLY COMPANIES
Patel Shri Jivabhai Ambalal;Renge Patil Shri Tukaram Ganpatrao

Will the Minister of POWER be pleased to state:

(a) whether there is any provision to earn profit through power supply under the Electricity Act, 2003;

(b) if so, whether the private power supply companies are earning crores of rupees in the form of business entity; and

(c) the reaction of the Government thereto and the corrective measures taken by the Government in this regard?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) to (c) : Under the Electricity Act 2003, determination of tariffs comes within the purview of the Electricity Regulatory Commissions. The Act provides that the Appropriate Electricity Regulatory Commission shall, subject to the provisions of the Act, specify the terms and conditions for the determination of tariff, and in doing so, shall inter-alia be guided by the following:

(i) that generation, transmission, distribution and supply of electricity are conducted on commercial principles;

(ii) the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investment;

(iii) safeguarding of consumers` interest and at the same time recovery of the cost of electricity in a reasonable manner.
Further, the Act provides that the Appropriate Electricity Regulatory Commissions shall be guided by the National Electricity Policy and the Tariff Policy in the discharge of their functions including tariff determination. The Tariff Policy, notified by the Central Government under the provisions of the Act, provides that a balance needs to be maintained between the interests of consumers and the need for investment while laying down the rate of return. Return should attract investments at par with, if not in preference to, their sectors so that the electricity sector is able to create adequate capacity. The rate of return should be such that it allows generation of reasonable surplus for growth of the sector. The Policy also provides that the rate of return notified by the Central Electricity Regulatory Commission (CERC) for transmission may be adopted by the State Electricity Regulatory Commissions (SERCs) for distribution with appropriate modification taking into view the higher rates involved.
The legal and policy framework of the Act does not discriminate between the Government owned distribution companies and private distribution companies.
SERCs have specified regulations on terms & conditions for determination of tariff for generating companies, transmission licensees and distribution licensees under their control. These regulations provide for Return on Equity for such regulated utilities.